

## Message Text

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PAGE 01 QUITO 05046 162215Z

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 OPIC-03

CIAE-00 INR-07 NSAE-00 L-03 H-02 PA-01 PRS-01 USIA-06

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R 162131Z JUL 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 861

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E.O. 11652: N/A

TAGS: BBAK, BDIS, EC

SUBJECT: STATUS OF GOE'S PROGRAM FOR RE-ISSUING ID'S

REFS: (A) STATE 165939 (B) QUITO 1216

SUMMARY: GOE IS ANNOYED BY A DISPUTE BETWEEN TWO LOCAL SUPPLIERS OF US PHOTO IDENTITY CARD EQUIPMENT AND WOULD LIKE TO TURN TO A THIRD SOURCE. CONSIDERING AVANT HAS ALREADY STARTED TO FULFILL CONTRACT ON THE BASIS OF WHAT IT CONSIDERS A GOE LETTER OF INTENT, EMBOFF HAS RECOMMENDED GOE FIRST TRY TO WORK OUT UNDERSTANDING WITH AVANT. EMBOFF OFFERED ASSISTANCE TO GOE IN THIS ENDEAVOR. END SUMMARY

2. IN JULY 1975 SISTEMAS DE CONTROL, THE LOCAL POLAROID AGENT, WAS AWARDED A THREE MILLION DOLLAR CONTRACT FOR PHOTO IDENTITY CARD EQUIPMENT FOR USE IN GOE "RECEDULACION" PROGRAM. THIS WAS IMMEDIATELY CHALLENGED BY PAMAMCO, THE LOCAL AVANT AGENT, WHO CHARGED THAT IRREGULARITIES HAD OCCURED IN THE AWARDING OF THE CONTRACT. GOE SOON AFTER CANCELLED THE CONTRACT WITH SISTEMAS DE CONTROL.

3. GOE ASKED PANAMCO AND SISTEMAS TO DEMONSTRATE THEIR EQUIPMENT BEFORE A TECHNICAL COMMITTEE OF THE LIMITED OFFICIAL USE

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PAGE 02 QUITO 05046 162215Z

MINISTRY OF GOVERNMENT IN MAY 1976. AFTER THIS

DEMONSTRATION THE COMMITTEE RECOMMENDED PANAMCO BE GIVEN THE CONTRACT. MINISTER OF GOVERNMENT LEVOYER WROTE PANAMCO ADVISING THEM THEY WOULD BE AWARDED THE CONTRACT. AVANT PRESIDENT ROGER KUHNS WROTE LEVOYER ON MAY 31 ASKING FOR A LETTER OF INTENT, WHICH WAS SENT THE SAME DAY.

4. ON THE BASIS OF THIS LETTER AVANT PRODUCED MATERIALS, IMPORTED EQUIPMENT, AND TRAINED 200 LOCALS, AVANT REGIONAL MANAGER TOLD EMBOFF AVANT WOULD LOSE 140,000 US DOLLARS IF CONTRACT WAS NOW CANCELLED.

5. SISTEMAS DE CONTROL NOW IS CHARGING IRREGULARITIES IN THE AWARDING OF THE CONTRACT TO AVANT. SISTEMAS WROTE A LETTER TO THE SUPREME COUNCIL OUTLINING THESE CHARGES. THE JULY ISSUE OF ECUADOR'S MONTHLY NEWSMAGAZINE VISTAZO PRESENTED THESE CHARGES IN A THREE-PAGE ARTICLE.

6. AFTER PRESS SPECULATION THAT THE RECEDULACION PROCESS WAS TO BE SUSPENDED, THE NEW MINISTER OF GOVERNMENT ANNOUNCED IN A JULY 9 PRESS CONFERENCE THAT IT WAS TO CONTINUE AS PLANNED, AND THAT HE WAS STUDYING THE UNSIGNED CONTRACT WITH THE US FIRM AVANT WHICH HE INHERITED IN TAKING OVER THE MINISTRY. HE SAID IT LACKED CERTAIN PROVISIONS HE FELT IT SHOULD CONTAIN.

7. THE AMBASSADOR WAS ASKED BY MINISTER JARRIN ON JULY 13 TO LEND EMBASSY ASSISTANCE TO GOE EFFORTS TO OBTAIN ID PHOTO EQUIPMENT DIRECTLY FROM U.S. MANUFACTURERS. JARRIN'S AIDE TOLD E/C COUNSELOR AND ANOTHER EMBOFF THE MINISTER DID NOT WANT TO USE LOCAL AGENTS SISTEMAS DE CONTROL (POLAROID) OR PANAMCO (AVANT) IN OBTAINING THIS EQUIPMENT. HE FELT THERE WERE CERTAIN IRREGULARITIES SURROUNDING BOTH THESE COMPANIES' EFFORTS TO OBTAIN THIS CONTRACT AND THAT AWARDING IT TO EITHER COMPANY COULD RESULT IN POLITICAL PROBLEMS.

8. EMBOFFS EXPLAINED TO JARRIN'S AIDE THAT IT WOULD BE DIFFICULT IF NOT LEGALLY IMPOSSIBLE FOR POLAROID OR AVANT TO CUT OUT THEIR LOCAL AGENT AND DEAL DIRECTLY LIMITED OFFICIAL USE

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PAGE 03 QUITO 05046 162215Z

WITH THE GOE; AND THAT, CONSIDERING THE GOE LETTER OF INTENT IN AVANT'S HANDS, IT SEEMS A LITTLE LATE TO BE SHOPPING AROUND FOR NEW SUPPLIERS.

9. EMBOFFS OFFERED ASSISTANCE TO GOE IN TRYING TO ARRANGE AN AGREEMENT BETWEEN SISTEMAS AND PANAMCO IN WHICH PANAMCO WOULD BE GIVEN THE CONTRACT BUT WOULD PURCHASE THE POLAROID FILM FOR THE ID PHOTOS FROM

SISTEMAS. EACH WOULD THEN PROFIT FROM THE DEAL AND PRESUMABLY STOP MAKING CHARGES AGAINST THE OTHER.

EMBASSY COMMENT:

10. ALTHOUGH EMBOFFS HAVE HEARD VARIOUS REPORTS THAT THE RECEDULACION PROCESS WAS A TACTIC OF THE GOE TO DELAY THE RETURN OF THE GOVERNMENT TO CIVILIAN RULE, IT APPEARS JARRIN WANTS TO START RECEDULACION SOONEST. HE FIRST WANTS TO ERASE ANY POSSIBLE IMPROPRIETIES FROM HIS MINISTRY. TO THIS END HE HAS DISMISSED THE DIRECTOR OF THE CIVIL REGISTRY AND THE DIRECTOR OF THE DEPARTMENT OF IDENTIFICATION AND CEDULACION. NEITHER PANAMCO NOR SISTEMAS DE CONTROL SEEM TO BE PERFECTLY CLEAN IN THEIR PURSUIT OF THIS CONTRACT. WHETHER THEY CAN NOW REACH AN UNDERSTANDING BETWEEN THEMSELVES AND THE GOE AND CEASE THE ATTACKS ON EACH OTHER WILL BE DETERMINED IN THE NEXT FEW DAYS. END COMMENT  
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